

# WESTONARIA LOCAL MUNICIPALITY



## ANNUAL BUDGET

2014 – 2017

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## Executive Summary

The budget for 2014/15 of the municipality has an objective of improving the viability of the municipality and ensuring that services are improved in the municipal area. The budget will also try to address the infrastructure challenges. The budget also suggest policy changes that will effect free basic services to poor households in line with Indigent support policy and also ensuring that communities pay for all services they receive from the municipality.

The municipality has budgeted for revenue of R474 million for the 2014/15 to R508 million in 2015/16 and increased to R534 million in the 2016/17 financial year. The operating expenditure for 2014/2015 is R569 million which increased to R581 million in the 2015/16 and for 2016/17 has increased to R611 million. The municipality is forecasting an operating deficit of R95 million which will reduce to R72 million in the 2015/16 and increased to R77 million in the 2016/17 financial year.

	<b>Budget Year 2014/15</b>	<b>Budget Year +1 2015/16</b>	<b>Budget Year +2 2016/17</b>
Total Revenue (excluding capital transfers and contributions)	474 257 196	508 527 564	534 484 629
Total Expenditure	569 895 916	581 076 963	611 923 117
<b>Operating Deficit</b>	<b>-95 638 720</b>	<b>-72 549 398</b>	<b>-77 438 489</b>
Transfers recognised - capital	16 760 000	16 730 000	4 200 000
<b>Deficit after capital transfers &amp; contributions</b>	<b>-112 398 720</b>	<b>-89 279 398</b>	<b>-81 638 489</b>

The budget is also proposing a capital contribution of R16.7 million from our operating income and R16.7 million in the outer year and R4.2 million in the 2016/17. The deficit should be financed through the debt collection process. The budget was also developed with anticipation that the collection rate will be increased from 35% to 71%.

<b>Capital budget</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
MIG budget	59 868 823	55 973 353	50 326 491
DAC	580 000	800 000	800 000
DoE	7 000 000	12 000 000	20 000 000
Own Funding	16 760 000	16 730 000	4 200 000
<b>Total Capital Budget</b>	<b>84 208 823</b>	<b>85 503 353</b>	<b>75 326 491</b>

The capital budget will be finance through municipal infrastructure grant, the grant from department of arts and culture and the department of energy. The municipality will also be contributing R16, 7 million from its coffers to fast track implementation of other urgent service delivery issues.

## **Introduction**

The purpose of the report is to present the annual budget of the municipality to the council for approval. The municipal finance management act requires the Mayor of a municipality to table the annual budget of the municipality to council before the start of the financial year for approval.

## **Background.**

The municipality have compiled the budget for 2014-2017 in line with the guidance from National and Provincial treasury and it was also developed in line with the Integrated Development Plan of the municipality. The budget is a tool that will ensure that the IDP is implemented and it's realisable. The budget will also outline the business model for the municipality and it will reflect on the revenue and expenditure of the municipality.

The budget is aimed at ensuring that the municipality is able to provide effective and efficient service delivery to its community. The initial process of the budget was for the municipality to develop a budget compilation process that will ensure that each and every stakeholder in the municipality participates in the budget process. The process included consultative forum, management inputs, business plan, public participation and budget finalisation process.

The municipality went not an intensive process on consultation to ensure that the budget is a product developed by everyone. We had public participation process were local media was also involved in the process. The budget was advertised in the local and national media and communities were encouraged to make an input in the budget process.

## **Budget Discussion.**

There were various discussions on the budget and the discussion was focused on the current service delivery and liquidity position of the municipality and how do the municipality develop a budget that is feasible and affordable for the whole community. During the budget consultative meetings there were various views raised from all angle about the draft budget and what changes the community wants to see in the budget.

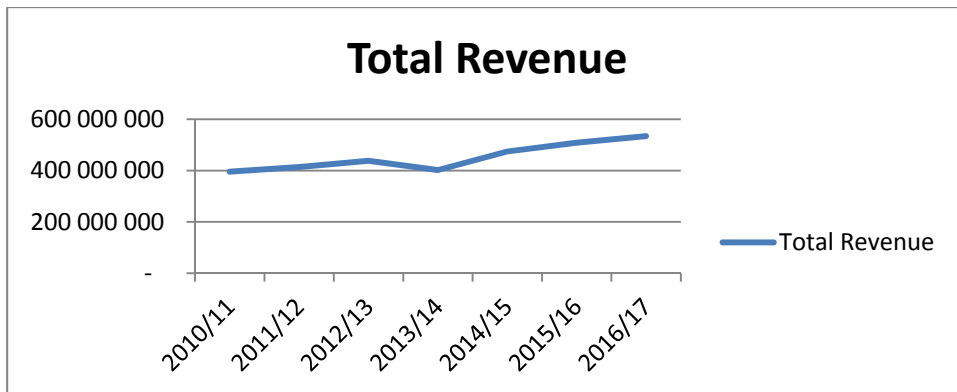
The inputs we mostly received relates to poor services that the municipality is providing and the need for the municipality to improve the services. The other popular view especially derived from ward 4 and 5 relates to proposed increases in the tariffs. This view was supported by the DA. We took all the concern into consideration and ensured that we develop a budget that is realistic, service driven and enable the municipality to recover all costs relating to services the community demands.

The budget also proposes serious policy changes in relation to cost recovery versus affordability. The budget for 2014/2015 to 2016/2017 focuses on cost recovery and ensuring that the municipality is sustainable and viable. There are notions that the budgeted revenue should be linked to CPIX rather than focusing on cost recovery. The weakness with this proposal is that you will be compiling a budget that is not adequately funded and the strategic objective of the municipality is to create a financial viable and sustainable municipality.

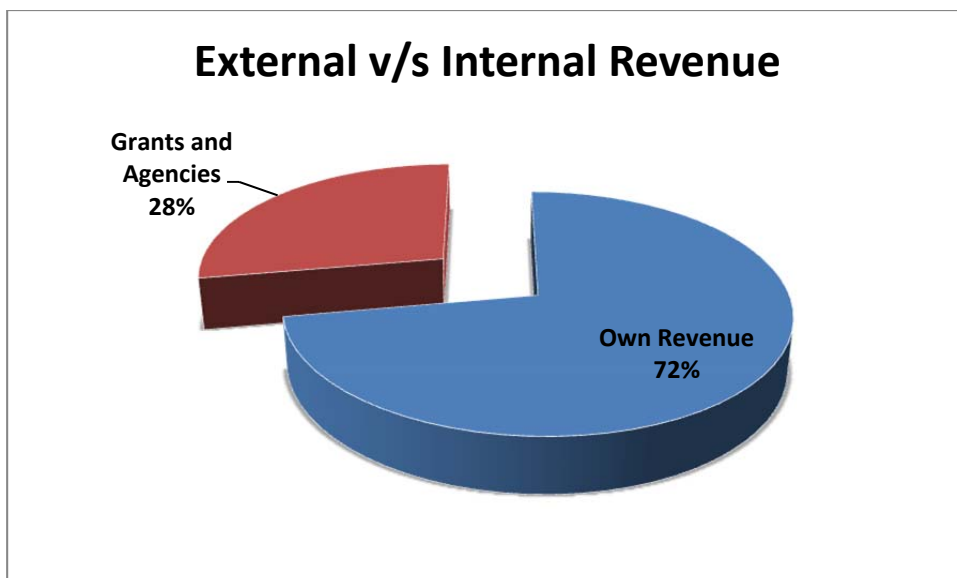
How to create a viable entity if you operate at a deficit in most of your crucial services like water, electricity, sewer and waste. We supposed to be generating significant profits on these services so that we can subsidise other non-revenue generating services. The municipality have been operating at loss in those services and this put a serious strain in the operations of the municipality.

## Operating Revenue

Description	Current Year 2013/14	2014/15 Medium Term Revenue & Expenditure Framework			
R thousand	Adjusted Budget	Budget Year 2014/15	% Change	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>Revenue By Source</b>					
Property rates	36 195 000.00	62 195 000.00	72%	65 304 750.00	68 569 987.50
Property rates - penalties & collection charges	-	-		-	-
Service charges - electricity revenue	81 493 000.00	86 500 440.00	6%	93 420 475.20	100 894 113.22
Service charges - water revenue	99 355 000.00	111 632 410.00	12%	118 330 354.60	118 330 348.60
Service charges - sanitation revenue	2 334 000.00	16 132 117.45	591%	17 305 889.54	18 548 562.06
Service charges - refuse revenue	11 512 000.00	15 030 872.74	31%	15 842 744.97	16 702 274.10
Service charges - other	-	-		-	-
Rental of facilities and equipment	153 000.00	423 108.84	177%	447 945.33	474 239.72
Interest earned - external investments	577 700.00	500 000.00	-13%	529 350.00	560 422.85
Interest earned - outstanding debtors	-	-		-	-
Dividends received	-	-		-	-
Fines	5 412 000.00	7 400 000.00	37%	7 834 380.00	8 294 258.11
Licences and permits	5 006 000.00	5 500 000.00	10%	5 822 850.00	6 164 651.30
Agency services	2 933 000.00	5 886 119.78	101%	6 231 635.01	6 597 431.98
Transfers recognised - operational	115 514 000.00	125 884 000.00	9%	138 102 000.00	147 683 000.00
Other revenue	41 357 000.00	37 173 127.16	-10%	39 355 189.73	41 665 339.36
Gains on disposal of PPE	-	-		-	-
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>401 841 700.00</b>	<b>474 257 195.97</b>	<b>18%</b>	<b>508 527 564.38</b>	<b>534 484 628.79</b>



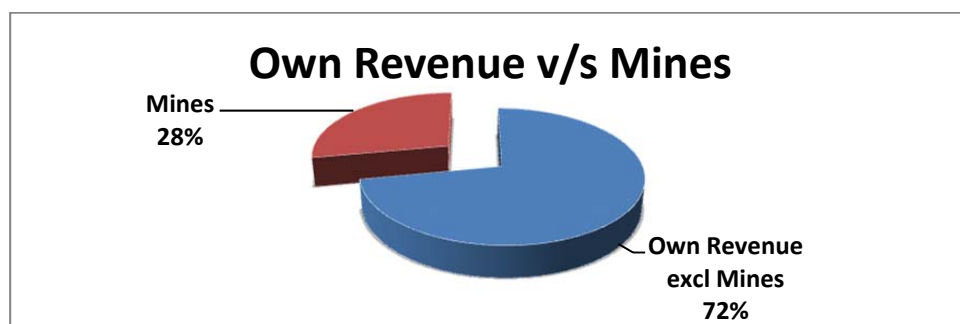
The budget is proposing an increase in revenue from R401 million in 2013/14 to R474 million in 2014/15. The revenue is also estimated to R508 in 2015/16 and R534 in 2016/17. The increase for the next financial year is 18%. The national fiscus will be contributing R125 million in the 2014/15 which is 9% increase from the previous financial year. The majority of the contribution is equitable share from department of cooperative governance and traditional affairs, the municipality will be receiving R1.5 million from national treasury for finance management grant, the department of cooperative governance and traditional affairs will also be providing a municipal system improvement grant and infrastructure skills development grant. The provincial department of sports and recreation will be subsidising library services with R2.9 million.



The operating revenue of the municipality is mostly derived from own funds. We receive 78% of the revenue from the services and taxes we charge to the community. Only 28% is from the grants we receive from both national and provincial government. We are also expecting to generate R5.5 million from the agency service we provide on behalf of the department of transport. We need to improve services in this division so that we can maximise our income in this agency functions.

We have also analysed our own revenue based on the services we provide to local mines on the provision of water services. 28% of the R342 million we generate from own revenue is

generated from the water sales to mines. This is a significant portion of the revenue that is dependent on very few clients. This has serious future impact especially on changing technologies in mines and the life span of mines.



Households and other local business will contribute R246 million into the operating income of the municipality. Council should note that this income is based on the revenue billed including indigents. The revenue is estimated in terms of 100% billing of all consumers. The comments we received from the community miss this fact as most people have commented that we can increase revenue if people of Simunye and Bekkersdal are paying. We need to note that the internal revenue of R246 million includes revenue that will be charged to communities in Bekkersdal and Simunye.

In terms of the strategic plan revenue collection from consumers should increase from 35% to 71% in the next 12 months. This will result into serious cash injection to the municipality. We are also anticipating that increase in revenue collection will decrease the outstanding debt and as a result we will recover R50 million. This will improve the municipality financial position and ensure that the financial liquidity of the municipality improves.

The municipality unemployment rates is 29% and have an average income of R5000 per month. This will have an impact in terms of the indigent households. The municipality is targeting to register all indigent household in July 2014 so that all indigents are not affected by aggressive debt collection that will be implemented.

The municipality will also introduce number of debt reduction scheme that will target consumer in Bekkersdal and Simunye. This is a critical component of internal revenue sources that should be targeted. The two areas owes the municipality R110 million and we believe that through aggressive collection the municipality can recover almost R40 million in the 2014/2015 financial year.

### Property Rates

	2014/2015	2013/2014	% INCREASE
Residential Property	0.014	0.01	40%
Business	0.028	0.0188	49%
Industries	0.028	0.01	180%
State Owned Property	0.026	0.01	160%
Public Service Infrastructure	0.026	0.01	160%

Farming property used for bona fide farming	0.01	0.0188	-47%
Farming property used for residential purpose	0.014	0.0188	-24%
Farming property used for industrial and business purpose	0.028	0.0188	49%
Vacant Land irrespective of Zoning	0.1	0.01	900%
Mining Property	0.028	0.0188	49%
Religious	0	0	0%

The municipality have compiled a new general valuation roll that will be implemented on the 1<sup>st</sup> July 2014. We are expecting to raise R72 million as revenue for property rates. The budget proposes a 40% increase in property rates for household properties and 49% increase in business tariffs. The budget also proposes separate tariffs for mining properties that will be charged as industrial. The vacant land will be charged at 10% value of the land and this is meant to encourage land owners to develop or use it for something productive. The tariff policy proposes various rebates that can be offered by the council depending on the effective use of the land. The policy proposes rebates to agricultural property used for boni fide farming purpose.

### Electricity Revenue

<b>Domestic</b>	<b><u>2013/14</u></b>	<b><u>2014/15</u></b>	<b><u>2014/15</u></b>
<b>Prepaid</b>	<b><u>Approved</u></b>	<b><u>Proposed</u></b>	<b><u>Proposed</u></b>
		<b><u>Winter</u></b>	<b><u>summer</u></b>
		<b><u>July/Aug/Sept/June</u></b>	
Block 1 (0-50 kWh)	70.00	96.00	69.00
Block 2 (51 – 350 kWh)	85.00	104.00	74.00
Block 3 (351 – 600 kWh)	114.00	131.00	100.00
Block 4 (>600)	138.00	145.00	130.00
<b>Basic/Fixed Charge</b>	<b>0</b>	<b>80.00</b>	<b>80.00</b>
<b>(R/Month)</b>			
<b>Domestic</b>	<b><u>2013/14</u></b>	<b><u>2014/15</u></b>	<b><u>2014/15</u></b>
<b>Conventional</b>	<b><u>Approved</u></b>	<b><u>Proposed</u></b>	<b><u>Proposed</u></b>
		<b><u>Winter</u></b>	<b><u>summer</u></b>
		<b><u>July/August/Sept/June</u></b>	
Block 1 (0-50 kWh)	70.00	96.00	69.00
Block 2 (51 – 350 kWh)	85.00	104.00	74.00



Block 3 (351 – 600 kWh)	114.00	131.00	102.00
Block 4 (>600)	138.00	146.00	132.00
<b>Basic/Fixed Charge</b> <b>(R/Month)</b>	<b>0</b>	<b>80.00</b>	<b>80.00</b>

The revenue for electricity will increase by 6% from R81 million in 2013/14 to R86 million in 2014/15. The budget proposes a change in tariff structure from standard tariff to seasonal tariff. The intention of the seasonal tariff is to ensure that the municipality is able to carry the winter bill from Eskom because as Megaflex customer Eskom charges the municipality in terms of time of use. The tariff will be cheaper in summer and expensive in winter.

The budget also proposes a Fixed Charge of R80 to all household consumers. This is meant to contribute to the infrastructure development required for electricity but also pay for electricity demand improvement for Westonaria. Electricity has a direct improvement on economic development and the municipality needs to improve its electricity needs and significant investment has to be made to improve the network infrastructure.

## Water Revenue

<b>Metered Water</b>	<b>2014/2015</b>	<b>2013/2014</b>	<b>% Increase</b>
<b>Residential, Flats</b>			
In excess of 0kl up to 6kl:	10.33	0	100%
In excess of 6kl up to 10kl:	11.15	10.33	8%
In excess of 10kl up to 20kl:	12.27	10.33	19%
In excess of 20kl up to 30kl:	13.49	11.65	16%
In excess 30 kl:	14.85	11.65	27%
Basic Charge	25.00	0	100%
<b>Commercial</b>			
For consumption up to 200kl per Kl:	14.85	12.28	21%
For consumption exceeding 200kl per kl:	16.50	12.28	34%
<b>Institutional Buildings</b>			
For consumption up to 200kl per Kl:	12.5	12.28	2%
For consumption exceeding 200kl per kl:	13.5	12.28	10%
<b>Industries</b>			
For consumption up to 200kl per Kl:	14.5	12.28	18%
For consumption exceeding 200kl per kl:	17.5	12.28	43%
<b>Mines – Bulk</b>			
Bulk Water	10.50	6.65	57.79%
<b>Supply of unmetered water</b>			
Deemed consumption: 30kl	152.00	0	100%

Informal Settlement water: kl	15.00	0	100%
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The budget proposes a 12% increase in revenue for water from R99 million to R111 million. The municipality will be charging a five step tariff for water services. The step tariff will start at R10.33 for the first KI to R14.85 per KI if the consumer uses more than 25kl per month. The tariff model is meant to encourage water conservation. The consumer will also be charged a basic tariff of R25 per month which is meant to contribute to water infrastructure development. The budget proposes a 6kl free supply of water to indigent consumers. It also proposes a R10.50 per KI supply rate to mines customers. The budget proposes that the municipality provide water services to informal settlement at R15 per kilo litre. The intention of the tariff is to ensure that the municipality recover some of the costs for services it provides to this community.

### Sanitation Revenue

Private dwelling	2014/2015	2013/2014	% Increase
Basic Charge per month based on size of the erf.			
Up to 350 sm	45.00	-	100%
Over 351 sm to 600 sm	65.00	40.21	62%
Over 601 sm to 800 sm	85.00	50.04	70%
Over 801 sm to 1000 sm	105.00	54.34	93%
Over 1001 sm to 1200 sm	115.00	63.65	81%
Over 1201 sm to 1400 sm	125.00	71.27	75%
Over 1401sm	150.00	78.76	90%
<b>Additional Levy</b>			
Residential per toilet	56.20	28.10	100%
Business per water closet / urinal stall	101.79	44.56	128%
Institutions, Schools, Church	101.79	68.68	48%
Industries per water closet / urinal stall	180.00	148.94	21%
Hotels, Motels, BnB per room.	92.61	28.10	230%

The budget proposes an increase in revenue from sanitation from R2 million to R16 million in the 2014/15 financial year. The objective in the new financial year is to charge all consumers for the services we provide and users with additional services points will pay double the standard rate. The budget proposes a basic charge of R45 to R150 depending on the size of the erf. The rationale is cross subsidization between the consumers. The additional levy of R56.20 will be paid per toilet. The improvement in the waste water treatment plant requires the municipality to have capacity to operate the service effectively.

### Waste Management Revenue

Household Refuse Collection	2014/2015	2013/2014	% Increase
Property Value			
R60 000 and less (including indigents households)	65.00	54.06	20%
R60 001 to R120 000	70.00	54.06	29.5%
R120 001 to R180 000	75.00	54.06	38.8%
R180 001 to R240 000	80.00	54.06	47.9%
R240 001 and R500 000	90.00	54.06	66.5%
R500 001 and more	120.00	54.06	121.9%
Garden and Rubble Refuse per load.	250.00		100%

The budget proposes a 20% increase in tariffs for this service. The revenue will increase from R11 million to R15 million. The service standard is to collect refuse at least once every week to each household. This service standard requires more equipment's so that the municipality can fulfil its mandate. Additional staff and equipment will be procured to improve this service but this will require funding for this services. The tariff is based on the value of the property and this will ensure cross subsidization within the community. The tariff will also fund other services like street sweeping and town cleaning. The tariff for properties in the CBD will increase to accommodate cost relating to CDB cleaning services.

### Cemetery Revenue

	2014/2015		2013/2014		% Increase
	Residents	Non Residents	Residents	Non Residents	
<b>Bekkersdal / Simunye Cemetery</b>					
<b>Weekdays</b>					
Adult monumental section - Standard	209.00	418.00	190.00	380.00	10%
Adult monumental section - Casket /8 Ft/Ext	558.80	1 117.60	508.00	1016.00	10%
Adult monumental section - Casket +8 Ft/Ext	558.80	1 117.60	508.00	1016.00	10%
Children monumental section - Standard	209.00	418.00	190.00	380.00	10%
Wall of Remembrance	250.00	500.00	-	-	0
<b>Weekends</b>					
Adult monumental section - Standard	297.00	594.00	270.00	540.00	10%
Adult monumental section - Casket /8 Ft/Ext	468.60	937.20	426.00	852.00	10%
Adult monumental section - Casket +8 Ft/Ext	468.60	937.20	426.00	852.00	10%
Children monumental section - Standard	297.00	594.00	270.00	540.00	10%
Wall of Remembrance	250.00	500.00	-	-	0
<b>Westonaria Cemetery</b>					

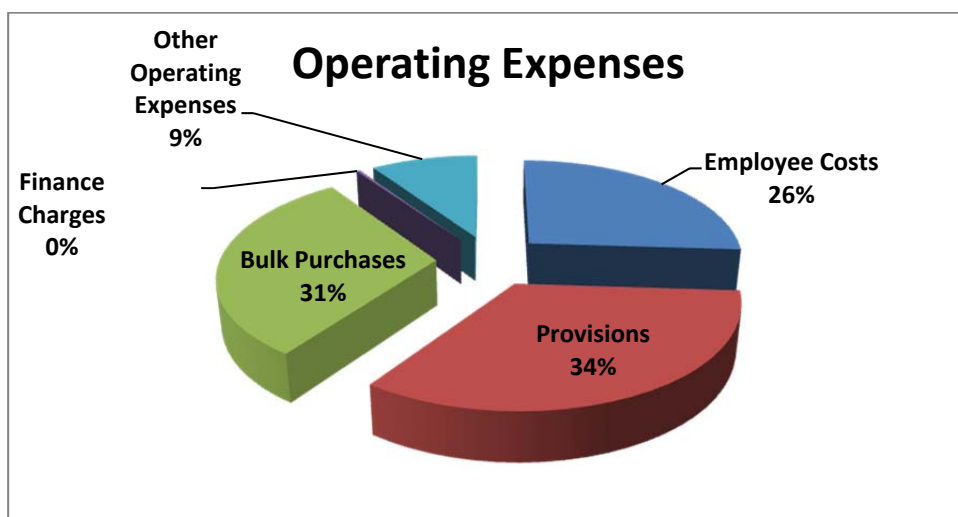
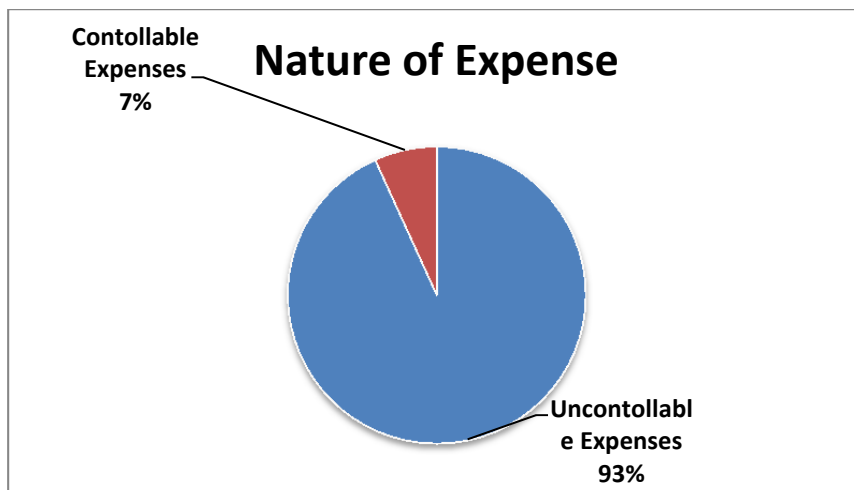
<b>Weekdays</b>					
Adult monumental section - Standard	418.66	837.32	380.60	761.20	10%
Adult monumental section - Casket /8 Ft/Ext	605.66	1 211.32	<b>550.60</b>	1 101.20	10%
Adult monumental section - Casket +8 Ft/Ext	866.36	1 732.72	787.60	1 575.20	10%
Children monumental section - Standard	205.70	411.40	187.00	374.00	10%
Adult Lawn Section - Standard	460.53	921.05	380.60	761.20	21%
Adult Lawn Section - Casket/8ft/Ext	666.23	1 332.45	<b>550.60</b>	1 101.20	21%
Adult Lawn section - Casket +8 Ft/Ext	953.00	1 905.99	787.60	1 575.20	21%
Children Lawn section - Standard	226.27	452.54	187.00	374.00	21%
<b>Weekends</b>					
Adult monumental section - Standard	860.20	1720.40	782.00	1564.00	10%
Adult monumental section - Casket /8 Ft/Ext	1120.90	2241.80	1 019.00	2038.00	10%
Adult monumental section - Casket +8 Ft/Ext	1120.90	2241.80	1 019.00	2038.00	10%
Children monumental section - Standard	860.20	1720.40	782.00	1564.00	10%
Adult Lawn Section - Standard	1032.24	2064.48	782.00	1564.00	32%
Adult Lawn Section - Casket/8ft/Ext	1345.08	2690.16	1 019.00	2038.00	32%
Adult Lawn section - Casket +8 Ft/Ext	1345.08	2690.16	1 019.00	2038.00	32%
Children Lawn section - Standard	1032.24	2064.48	782.00	1564.00	32%

The budget proposes a two tariff model for residents and non-residents and it also proposes tariffs for weekend and during the week burials. The tariff proposes a 10% increase in tariffs for 2014/15 financial year.

## Operating Expenditure

Description					
R thousand	2013/2014	2014/2015		2015/16	2016/17
<b>Expenditure By Type</b>					
Employee related costs	123 040 000.00	136 494 954.89	11%	145 230 632.00	154 525 392.45
Remuneration of councillors	9 290 000.00	11 626 000.00	25%	12 370 064.00	13 161 748.10
Debt impairment	20 497 000.00	75 000 000.00	266%	62 030 000.00	64 177 740.00
Depreciation & asset impairment	62 529 000.00	117 500 000.00	88%	117 500 000.00	117 500 000.00
Finance charges	15 070 000.00	1 835 909.42	-88%	1 700 000.00	1 640 000.00
Bulk purchases	161 670 000.00	173 807 054.64	8%	188 402 753.64	204 226 237.28
Other materials	456 000.00	455 000.00	0%	481 390.00	509 310.62
Contracted services	10 016 000.00	14 900 000.00	49%	12 171 200.00	12 881 576.14
Transfers and grants	-	-		-	-

Other expenditure	31 744 000.00	38 276 997.14	21%	41 190 922.97	43 301 112.86
Loss on disposal of PPE	-	-		-	-
<b>Total Expenditure</b>	<b>434 312 000.00</b>	<b>569 895 916.10</b>	<b>31%</b>	<b>581 076 962.62</b>	<b>611 923 117.44</b>



### Employee Cost (SA22)

The municipality has 569 staff members and has 34 internship staff in the municipality. The employee cost of the municipality is R148 million which is 26% of the total operating expenditure. Employee cost constitutes 31% of the municipalities operating revenue. The ratio between population and staff in the municipality is 195 is to one. This means that one employee in the municipality should serve 195 community members in terms of various services we provide to the community. The municipality provides 20 different kinds of services to the community which exclude all administrative and support functions that enables services delivery. The community expect the effective and excellent service standards from the municipality.

The municipality has 369 vacancies of which this might be a root cause of R2 million being paid for overtime. The municipality will be reviewing the organisational structure in

2014/2015 to ensure that we ensure full optimisation of staff but also ensure effective utilisation of resources. The municipality will be filling critical posts in the community services and infrastructure services department to ensure effective service delivery. The salaries for staff will be increased by 6.49% for the 2014/2015 financial year and we expected the same increase for councillors.

### Debt and Assets Impairment.

The estimated debt impairment expenditure for 2014/2015 is R75 million which is provision for debt to be written off relating to debt reduction plans and schemes. The debt impairment have increased by R55 million. The budget also includes asset impairment provision for R117.5 million. The depreciation has increased by 88% and this has significantly increased the operating expenditure for the municipality.

The deficit in the budget is as a result of unfunded debt impairment which is a loss in revenue and also unfunded depreciation of assets. The municipality does not have sufficient revenue sources to re finance assets renewal and the current tariffs are unable to finance assets impairment. This will have serious impact in future in terms of replacement of assets as the municipality will not have resources to replace aging infrastructure.

### Bulk Purchases

The purchase of water and electricity continues to be one of our highest cash expenditure. The bulk water purchases are estimated at R99 million and bulk electricity at R74 million. This expenditure times has a serious impact in the cash position of the municipality. The municipality currently owes the municipality R83 million which should be settled before March 2014. This poses a serious threat to the liquidity of the municipality and we have an obligation to settle this debt. We plan to use equitable share to settle some of the debt but also cash recovered from debt collection will assist in settling the debt.

### Finance Charges (SA17)

The municipality has four loans with landing companies in the country. The debt is repayable monthly to various banks. The municipality will be paying interest on outstanding debt of R1.5 million per annum for all the debts it has with various institutions.

Name of Municipality:Westonaria local Municipality											
Financial Year:2013/14											
Loans register as at 31 April 2014							Payments made				
Institution	Start Date	End Date	Payment terms	Term Value	Purpose	Rate charged	Loan amount	Balance at 31/03/2014	Interest	Capital Repayment	Balance at 30/04/2014
STD BANK	2012/01/09	2017/09/01	Monthly	5	PPE	9.85	14,000,000.00	10,481,940.75			10,682,399.72
INCA West 01-0004	2004/09/07	30/06/2014	Semi-annually		PPE	13.27	12,000,000.00	1,032,436.07			1,032,436.07
INCA West 01-0005	2005/05/12	31/12/2015	Semi-annually		PPE	10.61	3,000,000.00	869,890.58			869,890.58
INCA West 01-0008	27/06/2007	30/06/2017	Semi-annually		PPE	11.11	2,970,000.00	1,418,346.66			1,418,346.66
INCA West 01-0011	2009/03/09	30/08/2015	Monthly		PPE	13.79	8,300,000.00	2,621,547.62			2,371,704.49
DBSA 10506/102	1997/07/01	30/06/2017	Semi-annually		PPE	8.5	6,846,800.00	2,867,759.41			1,855,584.27
							47,116,800.00	19,291,921.09			18,230,361.79

### Contracted Services

The expenditure relates to contracted services relating to various services we require as the municipality. The budget proposes an increase of R4.9 million on contracted service for the 2014/2015 financial year. The contract the municipality has with various service providers will lapse towards December 2016 to ensure smooth transition for the new municipality. The budget for contracted services will pay for Security Services, Fleet Management, and Printing Services which are major supplies.

## Operating budget by vote

Standard Classification Description	2014/15 Medium Term Revenue & Expenditure Framework		
R thousand	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Revenue - Standard			
Executive and council	3 632 400.00	-	-
Mayor and Council	1 382 400.00	-	-
Municipal Manager	2 250 000.00	-	-
Budget and treasury office	216 386 310.31	240 365 539.85	255 624 435.38
Other Admin	2 567 000.00	2 340 000.00	2 440 000.00
Libraries and Archives	2 984 000.00	4 500 000.00	4 800 000.00
Museums & Art Galleries etc	-	-	-
Community halls and Facilities	414 497.51	438 828.52	464 587.75
Cemeteries & Crematoriums	1 035 427.00	1 035 427.00	1 035 427.00
Sport and recreation	250 000.00	120 000.00	150 000.00
Public safety	7 400 000.00	7 834 380.00	8 294 258.11
Housing	60 000.00	65 000.00	70 000.00
Town Planning/Building enforcement	27 320.96	28 924.70	30 622.58
Roads			
Parking Garages	72 000.00	-	-
Vehicle Licensing and Testing	6 500 000.00	6 900 000.00	7 100 000.00
Electricity Distribution	86 500 440.00	93 420 475.20	100 894 113.22
Water Distribution	111 632 410.00	118 330 354.60	118 330 348.60
Sewerage	16 132 117.45	17 305 889.54	18 548 562.06
Solid Waste	15 030 872.74	15 842 744.97	16 702 274.10
<b>Total Revenue - Standard</b>	<b>474 257 195.98</b>	<b>508 527 564.38</b>	<b>534 484 628.79</b>
<b>Expenditure - Standard</b>			
Executive and council	26 395 748.27	28 084 444.15	29 882 296.58
Mayor and Council	21 963 000.00	23 368 000.00	24 864 000.00
Municipal Manager	4 432 748.27	4 716 444.15	5 018 296.58
Budget and treasury office	51 100 686.94	63 657 792.02	67 148 863.44
Human Resources	3 511 178.64	3 733 248.08	3 969 376.49
Information Technology	6 691 259.91	7 091 732.55	7 516 224.89
Property Services	5 534 169.15	3 201 248.08	3 403 328.49

Other Admin	54 347 000.00	58 453 000.00	62 105 000.00
Libraries and Archives	5 197 848.54	4 466 510.84	4 752 367.54
Cemeteries & Crematoriums	5 159 537.91	5 475 948.34	5 811 808.63
Other Community	6 704 043.02	7 118 581.77	7 558 808.84
Other Social	385 450.73	410 119.57	436 367.23
Sport and recreation	3 373 064.46	3 587 440.58	3 815 449.78
Police	15 320 466.25	14 127 130.33	14 982 761.86
Other	2 478 144.06	2 629 305.28	2 789 709.29
Town Planning/Building enforcement	4 573 606.57	4 865 475.95	5 175 976.16
Roads	56 511 570.05	49 293 557.92	52 242 297.35
Vehicle Licensing and Testing	2 918 049.84	3 103 815.03	3 301 411.77
Electricity Distribution	98 012 000.00	112 021 524.87	120 350 104.17
Water Distribution	139 459 353.31	129 919 617.35	135 532 812.89
Sewerage	29 996 117.45	29 169 889.54	29 412 562.06
Solid Waste	25 830 872.74	22 582 136.22	21 853 293.42
<b>Total Expenditure - Standard</b>	<b>569 895 916.10</b>	<b>581 076 962.62</b>	<b>611 923 117.45</b>
<b>Surplus/(Deficit) for the year</b>	<b>-95 638 720.12</b>	<b>-72 549 398.24</b>	<b>-77 438 488.65</b>

Trading Services	Revenue	Expenditure	Surplus and Deficit
<b>Electricity Distribution</b>	<b>86 500 440</b>	<b>98 012 000</b>	<b>-11 511 560</b>
<b>Water Distribution</b>	<b>111 632 410</b>	<b>139 459 353</b>	<b>-27 826 943</b>
<b>Sewerage</b>	<b>16 132 117</b>	<b>29 996 117</b>	<b>-13 864 000</b>
<b>Solid Waste</b>	<b>15 030 873</b>	<b>25 830 873</b>	<b>-10 800 000</b>
	<b>229 295 840.19</b>	<b>293 298 343.51</b>	<b>-64 002 503.31</b>
<b>As percentage of Total</b>	<b>48%</b>	<b>51%</b>	<b>68%</b>

**The most important table from the budget presented per vote is the analysis on the operation of the trading services.** The trading services are meant to operate at a profit so that they could finance other non revenue generating services we provide to the municipality. As per the table above the council should note that all this services are operating at a loss of R64 million. This loss makes 68% of the total operating deficit. This is the weakness with this budget and the council should clearly note that as they approve this budget, this budget is not properly funded and its main sources of revenue are not producing as required. If we have to ensure that this services are producing as required we will have to improve revenue in this services by increasing services but our rates policy also states that affordability should be taken into account when approving tariffs.

The projections is that this situation will remain as is until council make huge improvements in its operations and ensure that our community fully pay for the service they receive. The R64 million deficit can be financed by any other services except the same revenue generating services.



The budget have also allocated R101 million in the 2014/15 financial year for community services of which the municipality only recover 10% of the cost from own revenue. The services should be finance through property rates and profits from trading services. The municipality generates and income of R68 million from property rates and the community stills feels strongly that they cannot afford this services. If the community cannot afford this services it means the municipality should reduce this services and this will have negative impact in the social issues in the community.

## Capital Budget

Capital budget	2014-15	2015-16	2016-17
	R	R	R
Sanitation Greater Westonaria {Protea Park outfall sewer line }	21 876 541		
Hannes van Niekers Access road		15 000 000	
Hillshaven Outfall Sewer Upgrade			7 000 000
Zuurbekom Multi-Purpose Sport and Recreation Communities Centre Rehabilitation {Combi Courts and Ablution Facilities }	14 632 469	12 000 000	
Simunye MPS & RCC (Gymnasium)		5 534 699	10 000 000
Westonaria Sport Complex (Phase 2)			2 112 938
Simunye Internal Roads {Phase 3}	10 100 468	4 881 345	
Zuurbekom Roads Phase 2			5 000 000
Construction of waste processing plant (Phase 2)		5 000 000	4 000 000
Construction of transfer stations in Westonaria		7 578 654	7 578 654
Bekkersdal Cemetery	5 000 000		
Westonaria Cemetery Refurbishment	500 000	2 000 000	
Prepaid-meters (Ph4)	7 000 000	2 000 000	2 000 000
Various parks (Development of Maselpoort park)			4 951 292
Glenharvie Alternate Pump Supply pipeline construction			5 000 000
Westonaria Borwa Electrical Infrastructure including, house connections	7 000 000	12 000 000	20 000 000
Refurbishment & Upgrading of Street Lights Greater Westonaria	2 000 000	2 500 000	2 683 607
Green Energy High Mass Lighting in Bekkersdal, Thusanang and Water works	759 345	1 978 655	
Procurement of books	580 000	800 000	800 000
Roofing	-	500 000	-
Tools and Equipments	500 000	500 000	500 000
ICT Equipment's	400 000	200 000	200 000
Horticultural equipment	750 000	500 000	500 000
Time Management System	580 000		
PA System	30 000	30 000	-
Installation of smart meters system	12 500 000	12 500 000	
<b>Total Capital Budget</b>	<b>84 208 823</b>	<b>85 503 353</b>	<b>75 326 491</b>

<b>Capital Financing</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
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MIG budget	59 868 823	55 973 353	50 326 491
DAC	580 000	800 000	800 000
DoE	7 000 000	12 000 000	20 000 000
Own Funding	16 760 000	16 730 000	4 200 000
<b>Total Capital Budget</b>	<b>84 208 823</b>	<b>85 503 353</b>	<b>75 326 491</b>

The budget proposes capital expenditure of R84 208 823 for the 2014/15 financial year and R85 803 353, R75 326 491 for the 2015/16 and 2016/17 respectively. The budget will be mainly financed by a MIG allocation of R59 868 823. The municipality will also receive R580 000 from the department of arts and culture for purchasing of library books. The department of energy have allocated R7 000 000 for electrification of Westonaria Borwa. The municipality will be contributing R16.7 million which will be mostly used for Installation of smart meters for high consumption users in Westonaria and the installation of street lights and highmast light.

## Budget and Job Creation

The budget for 2014/15 also focuses on job creation and improving the economy of Westonaria. The municipality has set a target to ensure that procurement spent of the municipality improves the economy of the area. The strategic plan has set a target that 35% of all procurement spent of the municipality should be spent locally. The target is that at least R43 million of goods and service should be procured locally.

The capital budget will produce 328 temporary jobs in the construction phase of the projects. We should note that this refer to construction process jobs to be created. The labour cost of the project will be R2.9 million which will be paid to local communities.

The budget allocates R2.2 million in the EPWP programme. This programme will employ 325 staff members for a period of 12 months. The intention is to ensure that people who are employed in this project are capacitated so that they can be able to create self employment. The municipality is also planning to create more jobs using waste recycling. This initiative can create substantial and permanent employment to many women in the community.

The municipality is planning to employ permanent staff at the infrastructure and community services department to ensure that we have required skills in the department. The municipality is in desperate need of technicians and professionals who will improve the services in the municipality.

The municipality also plans to invest R1 million in the development of SMME in the area. The SMMEs will be provided with soft skills to ensure that they grow their

businesses. We also plan to channel business development through government procurement.

### **Budget and the Youth**

The municipality will be charging a 1% social responsibility charge to all contractors outside the municipality that will be used to develop skills in the municipal area. During public participation several complaints were received from young people who complained that the municipality has no clear plan in terms of youth development. The municipality will be investing R500 000 in bursaries to be provided to young people for skills development.

The municipality will continue to develop learner ships and internships in the municipality which plays an important part in the development of skills. This will ensure that we develop a second layer of staff that are capable and can be able to assist the municipality in providing effective services. The municipality will be concluding an agreement with LGSETA to ensure that we continue to provide necessary skills to young people.

The municipality will also ensure 40% of the procurement spent is provided to young people. The intention is to ensure that young people participate in the economy of the country. Special projects will be developed to ensure that young people benefit from this projects and programmes.

The municipality will be engaging the National Youth Development Agency with the intention of opening a local youth office of the NYDA that will be used as a referral service in the youth development initiative. The office will be mandated by staff who are properly trained and able to address youth issues in the municipality.

### **Budget Related Policies**

We have attached the following policies to this budget that will ensure that the budget is implemented and realised:

1. Credit Control and Debt Collection Policy
2. Property Rates Policy
3. Tariffs Policy
4. Budget Veriment Policy
5. Cash and Investment Policy
6. Bad Debts Write off policy
7. Tariff Book

### **Recommendations**

1. THAT the council note the report.

2. THAT the council approves the annual budget and budget related policies.